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Japan's National Security: Establishing "Greater East Asian Co-Prosperity Sphere," through official Development Assistance

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JAPAN'S NATIONAL SECURITY:
ESTABLISHING "GREATER EAST ASIAN CO-PROSPERITY SPHERE"
THROUGH OFFICIAL DEVELOPMENT ASSISTANCE

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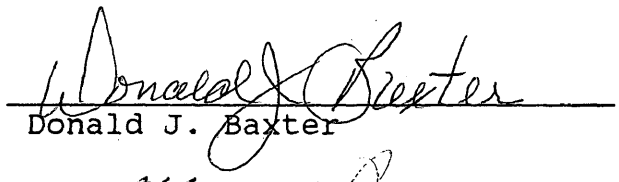

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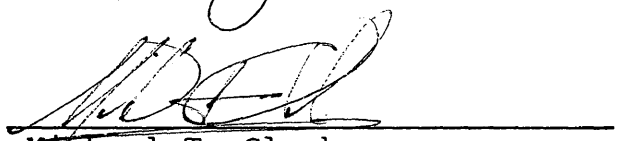

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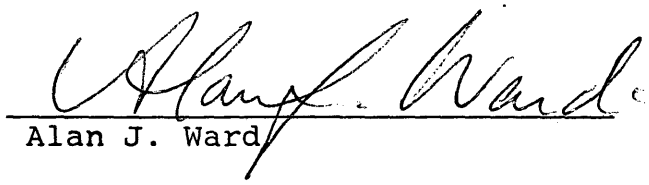

Alan J. Ward

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LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
DAC	Development Assistance Committee of the Organization for Economic Cooperation and Development
JICA	The Japan International Cooperation Agency
LDCs	Less Developed Countries
LLDCs	Least Developed Countries
MITI	Ministry of International Trade and Industry
MFA	Ministry of Foreign Affairs
ODA	The Official Development Assistance of Japan
OECF	Official Economic Cooperation Fund

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Abstract

The purpose of this study is to examine Japanese Official Development Assistance (ODA) in the period since World War II and the way in which the Japanese have used ODA to further Japan's national security interests.

Japanese ODA began as war reparations to Southeast Asia in the 1950's. Since then, Japanese aid policy has shifted focus three times. These three shifts reflect important changes in Japanese aid policy and provide a useful perspective for understanding the way the Japanese have shaped their aid policy to further their national interests in a changing international environment.

First, early Japanese experience with ODA gave them a clear understanding of the utility of ODA for Japanese economic development, that is, to secure raw materials for its industries and to maintain and develop markets for its exports. Second, as war reparations declined in importance as a rationale for ODA, the Japanese came to see their national security interests in economic terms and to see ODA as an instrument of national security policy. Third, Japan's maturing perception of ODA as an instrument of security policy led the Japanese to see ODA as an appropriate response to the demands of Western allies (particularly the United States) for increased Japanese "burden sharing" with respect to international security crises such as the 1991 war in the Persian Gulf.

Thus the Japanese have employed ODA as an effective diplomatic tool not only with developing countries but also with Japan's Western allies, first as war reparations, then in conjunction with its neomercantilist economic policy and finally as an element of its national security policy.

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INTRODUCTION

Japan is an emerging great power, yet little is known about the country. The power acquired and supported by its economic prosperity seems to confuse people, especially those who measure a country's power by military strength. Japan has used economic power primarily to protect its national interests since the end of World War II.

The national security of a nation requires that it assure its survival from one generation to the next. Each nation decides its own national interests, considering their strength, weakness, obstacles, and availability of means to pursue them. In Japan's case, one means to protect national security has been economic, because of Japan's poor resource self-sufficiency. The nation's economic survival has been considered the top priority. The national interest was shaped to maintain a steady flow of food and natural resources.

Pre-war Japan also considered the military as one of the means to attain its national security. Traditionally, strength proven by military victories over political and commercial rivals has been a means to attain national interests. States fought wars to expand territories through which they became richer, stronger, and as a result, more

secure. Japan expanded its territories in China and Southeast Asia using military force. What confuses people today is that post-war Japan uses a different combination of means to carve out and protect a viable "living space" in the contemporary world. Japan has learned to employ economic power primarily to protect and advance its broad security interest.

One explanation for the change is the new constitution of 1946. Japan renounced wars and abandoned possession of any military devices other than for defense purposes. This provided the guideline for Japan to pursue its national interests--securing food and raw materials--by economic means alone. However, Japan's geographical and political isolation imposed important restrictions by limiting the range of economic means of recovery. Germany could be and was integrated into the economic bloc of Western Europe; but no similar cultural and economic block was available to absorb and constrain Japan. Since there was no economic bloc for Japan to join, Japan developed its economy independently, through trade, and came to see the importance of trade to its survival.

It was the pursuit of its national economic interest that enabled Japan to survive as a state, to succeed this far among the Western democratic nations, and to achieve great power status in the post-war world which is now emerging. Japan did so with a clear strategy in mind. Without such a

strategy, its dramatic postwar economic recovery and prosperity might not have been possible. What is the strategy which made Japan an emerging great power, even a threat to others? It was driven by national security--economic survival of the nation--which reflected national interests.[1]

In essence Japan's strategy was neomercantilist. It regarded foreign trade as the nation-state's most important strategic variable for prosperity and power.[2] The policy applied by Japan was to emphasize export promotion in order to acquire necessary resources and meet higher standards of international competition to survive in the competitive world. In order to support the neomercantilist strategy, Japan used its official foreign aid successfully to cultivate new markets and maintain them for its exports, and to obtain necessary natural resources and food.

Japan began providing foreign aid as war reparation payments to Southeast Asian countries in the 1950s. It took the form of procurement of Japanese goods, which later benefitted Japan by developing markets for Japanese heavy industrial products during its miraculous economic growth.

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[1]Williams S. Dietrich, In The Shadow of The Rising Sun: The Political Roots of American Economic Decline. (University Park, Penn.: The Pennsylvania State University Press, 1991), 62.

[2]A Dictionary of Economics (London: Macmillan Press, 1987), 445.

To illustrate Japanese national interests, Karel van Wolferen compares Japan's post-war economic resurgence to an earlier campaign to "catch up with the West" in the Meiji period (1869-1914). The ultimate goal of both campaigns was not directly associated with the welfare of the people, but rather with preserving Japan's long-term ability to remain an independent power. In the earlier period, Japan's aims were defensive: economic growth was considered vital to protect Japan from foreign powers. Industrialization and militarization went hand in hand as Japan adopted a slogan of "rich country, strong military" to promote the campaign among public.[3] This campaign was necessary in order to gather the Japanese people as one and guide the country to a common national goal, because the whole country was experiencing a very high degree of social change after 250 years of self-imposed isolation from outside world.

The second catching-up campaign began in the 1950s after completion of post-war reconstruction. As opposed to the rapid industrial development in the Meiji period, industrial dominance by acquiring a large share in the international market was considered the key to the national security in post-war era. Since the use of military force to shape Japan's external environment was proscribed, Japan's strategy relied almost exclusively on economic

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[3]Karel van Wolferen, The Enigma of Japanese Power: People and Politics of a Stateless Nation (New York: Alfred A. Knopf, 1989), 375-376.

means.[4] Vogel writes,

> In the early decades after World War II, Japan became, accustomed to protecting infant industries and nursing them to international competitive standards. Only when there was virtually no danger of foreign products competing successfully in their home markets would they slowly and reluctantly reduce formal tariff barriers. They made it virtually impossible until the 1970s for foreigners to own their own subsidiaries in Japan or to have even indirect economic control over firms in Japan.[5]

Japan did not coin a strategic slogan in the post-war era as it did in Meiji period. There was no need for one because the campaign--"catching up with the West"--had become almost an obsession to the Japanese people in order to protect themselves from foreign powers. Once a strategy is understood by all the players, a constant reminder of it is not necessary. In such an environment, even a subconscious strategy can guide the players toward the common objective just as a consciously acknowledged strategy. So the neomercantilist strategy to pursue Japan's national security did not have to be explicitly articulated in order to be executed. In post-war Japan, the campaign of "catching up with the West" through economic development was engraved deeply in the society as a whole; subconsciously shared among the people; and vigorously pursued by all.[6]

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[4]Ibid., 377-378.

[5]Ezra F. Vogel, "Pax Nipponica?" Foreign Affairs vol. 64 (Spring 1986), 760.

[6]Van Wolferen writes that although economic growth has achieved at their expense, the Japanese have had a single-minded dedication to the nation's economic development and prosperity

Kent Calder argues however, that Japan is a "reactive state" by which he means that Japan possesses little strategic intent and successful implementation. He lists two distinguishing characteristics of the "reactive state": (1) the state fails to undertake major independent foreign economic policy initiatives when it has the power and national incentives to do so; and (2) it responds to outside pressures for change, erratically, unsystematically, and often incompletely.[7] Both conclusions can be challenged by reference to Japanese aid programs.

Calder does not deny that Japan has strategic objectives which reflect its national interests. However, he argues that they are not coherent and actively pursued because Japan lacks a strong institutional authority, which he believes is an indispensable factor for an active state. However, strategy does not necessarily require aggressive action or decisive policy style, especially when it is aimed at long-run as the cases examined in this study. Postwar Japan had a clear strategy to pursue its national economic interests and attain national security. The neomercantilist policy described below was a means of executing the strategy. Furthermore, in the case of Japanese foreign aid

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since the Meiji era. Catching up with the strongest in the world was the highest goal of every Japanese. Van Wolferen, op. cit., 376-378.

[7]Kent E. Calder, "Japanese Foreign Economic Policy Formation: Explaining the Reactive State," World Politics vol. XL, no. 4 (July 1988), 519.

examined in this thesis, the incoherence is not in evidence, as Calder argues. Rather, we see a consistent pursuit of national interests through the use of official aid.

A single leading agency with a clear and conscious strategy is not a necessary requirement for coherent strategy conduct. As I will show, cooperation among official agencies that share unstated assumptions, norms, values, and aims can play the role of a strategy-creating institution even in the absence of an explicit Grand Design. This is exactly how the pursuit of Japanese national security through trade with a use of foreign aid has worked since the 1950s.

With an understanding of the characteristics of Japan's economic national security, this thesis examines Japan's pursuit of its national interests through the use of foreign aid. It will pay particularly close attention to three Southeast Asian countries as targets of Japanese national interests. The thesis will show that Japan, without a single strategist, consistently pursued clearly understood national interests to satisfy its economic security concerns by using foreign aid.

CHAPTER I

JAPANESE ROLE IN "BURDEN SHARING"

In recent years, Japanese foreign aid policies have come under increasing scrutiny and criticism as demands have mounted for Japan to increase its contribution to international security. As a response to the demand, Japan pledged to increase its allocation of Official Development Assistance (ODA). However, official foreign aid does not fully satisfy international, especially U.S., security interests. Rather, it serves as a means of protecting Japan's economic security and pursuing its own national interests.

Pressure for Burden-Sharing

The paths Japan took to achieve its national security objective have brought criticism of Japan for being a free rider. Japanese trade policies brought a prosperous economy at the price of severe trade frictions with Western allies, especially with the United States. As a result, Japan has been pressured for so-called "burden sharing" and to contribute adequately to the maintenance of a stable international system. The term "burden-sharing" was introduced by the United States. Shafiqul Islam describes

it as follows:

> It [the U.S.] contributes a disproportionate share of the burden of the common defense of its European North Atlantic Treaty Organization (NATO) allies. Burden-sharing, the United States demanded, should be more equitable, with Europe shouldering a greater share of the cost of its own defense.[8]

According to Islam, Japan was already on America's list of "unfair share of burden practitioners" by the late 1960s and became the top "unfair burden-sharer" in the 1980s. As Japan gained strength in economies, finance, and technology, the label of "unfair burden-sharer" accelerated the view of "Japan as a free rider" at the expense of American share.[9]

The Use of ODA in Burden-Sharing

To measure the burden of defense, the share of military spending in a nation's GNP is usually used. Japan prefers to combine military and aid spending. In 1989, it allocated 1.3% of GNP--1% on defense and 0.3% on aid--for its share of burden. In spite of the pressure for "burden sharing," there are two obstacles to Japan increasing its share militarily. First, the Japanese Constitution which renounces wars makes it difficult for the Japanese to allocate large military budget. The 1% of GNP defense budget policy, declared by Prime Minister Miki in 1976, is

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[8]Shafiqul Islam, "Beyond Burden-Sharing: Economics And Politics of Japanese Foreign Aid," in Yen For Development: Japanese Foreign Aid and the Politics of Burden-sharing ed. Shafiqul Islam (New York: Council on Foreign Relations Press, 1991), 192.

[9]Ibid., 192-193.

also a constraint to a large military. Second, because 1% of a very large GNP is a large sum, Japan is already the third largest military spender. To further increase in its defence budget will upset the former Soviet Union, China, Korea, and the ASEAN countries which had brutal experience of the Japanese Imperial Army during the Pacific War.[10]

Considering these factors, the Japanese government pledged to increase spending on ODA to meet its share of the burden as a member of the world community. The increase was first publicly stated in the mid-1970s by then Foreign Minister Takeo Fukuda. He argued that Japan should fill the role of the United States in Asia through economic assistance as American power declined in the region.[11] This argument was put into practice when he became the Prime Minister. Fukuda ensured the Japanese commitment by announcing the first of a series of medium-term targets at the Bonn Summit in 1978. His intention was also to reduce the trade surplus with Western nations so that Japanese economic security--maintaining markets for Japan's exports--would be protected.[12]

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[10]Susan J. Pharr, Statement before the Subcommittee on Asian and Pacific Affairs, Committee on Foreign Affairs, U.S. House of Representatives, September 28, 1988.

[11]Robert M. Orr, Jr., "The Aid Factor in U.S.-Japan Relations," Asian Survey vol. XXVIII, no. 7 (July 1988), 745.

[12]Ibid., 745-746.

Doubling Plans and Other Initiatives

The First Medium-Term Target was to double the annual value of aid to $2.8 billion in five years. By early 1978, Japan's foreign exchange reserves had reached the highest point ever and it became apparent that Japan would fulfill the pledge. As a result, the original five-year time period was shortened to three years and Japan kept its pledge with ODA that totaled $3.3 billion in the third year. The second plan adopted by the Suzuki Administration in 1981 promised again to double the amount of ODA in the 1976-1980 period to $24 billion between 1981 and 1985. Japan failed to keep this pledge due to a rapid rise in the value of the U.S. dollar against the yen during this period, though it was achieved in yen terms.[13]

The third plan, announced in 1985, set a goal to double the 1985 net ODA disbursement level to $7.6 billion per annum, and thereafter to extend the total to $40 billion during a seven-year period 1985-1992. The sudden jump in yen value began in the mid 1980s pushed up the dollar value of Japanese ODA. At the 1987 Venice Summit, Japan announced that it was going to shorten the target period by two years, to 1990. However, this $40 billion target was already met by 1988 and Japan had to establish a new target. At the Toronto Summit in 1988, Prime Minister Takeshita announced

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[13]Toru Yanagihara and Anne Emig, "An Overview Of Japan's Foreign Aid," in Yen For Development, 41-42.

the fourth medium-term plan which consisted of doubling the volume of 1983-87 period to $50 billion from 1988 through 1992.[14]

Besides these doubling plans, Japan also announced "capital recycling measures." The first of these appeared in 1986 as a $10 billion package of government and private funds to international financial institutions. The next package of $20 billion was announced in May 1987.[15] Japan's initiative was further reinforced in a new cooperation scheme in which the expansion of ODA was regarded as one of the three main pillars.

> In May 1988 the government of then Prime Minister Noboru Takeshita announced its "International Cooperation Initiative." This initiative reflects Japan's acceptance of its natural responsibility as an advanced democracy to contribute actively to the protection of world peace and the achievement of international prosperity by playing a role commensurate with its increased international status.[16]

Japan is fully aware of the importance of open markets for its economic security and it would share the burden of Europe and the United States for that purpose. Especially since the value of the yen skyrocketed in the mid-1980s, the urgency felt by the Japanese government can be seen by the repeated announcements of doubling plans and other measures for helping developing countries.

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[14]Ibid.

[15]Alan Rix, "Japan's Foreign Aid Policy: A Capacity For Leadership?" Pacific Affairs (Winter 1989/90), 472.

[16]Japan, MFA Japan's ODA Annual Report 1990, 6.

After being criticized for the quality of its foreign aid, Japan began to reform its aid programs to satisfy other donors and recipients. At the Paris Summit in 1989, Japan announced allocations of aid in specific areas. It pledged $600 million in grant aid to the Least Developed Countries (LLDCs) in a three year period beginning in 1990; pledged $2 billion in environmental aid; and presented an initiative in third world debt relief. For example, the financial recycling plan[17] was expanded from three to five years and taxation measures for Japanese commercial banks were to be taken to respond to the new Debt Strategy initiated by the U.S. government.[18] The Export-Import Bank of Japan and Official Economic Cooperation Fund (OECF) have also been helping indebted countries with new loans and rescheduling of payments.

Strong Public Support for ODA

Today foreign economic assistance is widely regarded as the alternative form of burden sharing to military spending in Japan. Not only the government but also the public acknowledge the importance of ODA.

> Poor in energy and mineral resources, Japan cannot feed itself. To pay for imports of much-needed raw materials

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[17]In order to help heavily indebted countries, Japan provided extra assistance measures from its financial surplus as a result of highly valued yen.

[18]Japan, MFA, Diplomatic Bluebook: Japan's Diplomatic Activities 1989, 67-69.

> and food, Japan feels compelled to export industrial goods. Thus, a peaceful world conducive to free trade is a requisite for Japan's security. It is to this end that Japan chooses to fulfill its responsibilities as a major economic power by offering economic assistance to the developing countries.[19]

This acknowledgement is shown by wide public support. According to a foreign policy survey conducted by the Prime Minister's office in October 1988, 39.5% of the public felt that Japan should expand aid and 44.2% felt Japan should maintain the present level of aid.[20] These figures show strong cognition of the Japanese of foreign aid.[21] Although Japanese security interest behind the foreign aid is not mentioned repeatedly by the government, the strong support for aid suggests that the Japanese people understand the importance of aid to Japan's survival.

Reflecting the public support, Japan's ODA budget increases every year at a high rate compared with other budget categories which tells how important ODA has become for Japanese economic survival. The Japanese government announced its decision to allocate 952.2 billion yen ($7.38 billion)[22] for 1992 ODA budget, a 7.8% increase from the

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[19]Akira Kubota, "Foreign Aid: Giving With One Hand?" Japan Quarterly (April/June 1985), 140-141.

[20]Japan, MFA Japan's ODA Annual Report 1989, 19.

[21]According to a poll conducted in 1989, only 4 percent of the American considered foreign aid as the most important problem for the country. George Gallup Jr., The Gallup Poll Public Opinion 1989. (Wilmington, DE: Scholarly Resources Inc., 1989), 120.

[22]US$1 = 129 yen is used as the exchange rate for 1992.

1991 budget, to attain the pledge of Fourth Medium-Term Target set in 1988.[23] As for the total operational account, the proposed figure is 1,699 billion yen ($13.2 billion) which is a 11.1% increase from the previous year and first double digit growth since 1984.[24] This increase is highly significant when the following two facts are considered: 1) the increase in the defense budget is less than half of ODA's; 2) a decrease in tax revenues imposes limits on the 1992 budget as a whole.

> The boost in foreign aid spending at a time of limited increases in other types of expenditures reflects the growing recognition in recent years of Japan's international responsibilities, an issue that came to the forefront of the political agenda in 1991.[25]

The recognition of Japan's responsibility can be translated as Japan's realization that it cannot rely on others to maintain a favorable world environment for Japan's security. This is especially so when Europe and the United States carry economic burdens in Eastern Europe and Latin America in the time of world wide economic recession.

Thus it can be seen that Japan has responded to the demands that it carry an adequate share of the security burden by increasing allocations of ODA to developing

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[23]"ODA Ohaba 7.8% Zou (ODA Large 7.8% Increase)," Asahi Shinbun, 28 December, 1991, p. 1.

[24]Total operational account includes general account, the borrowing from the Fiscal Financing Fund, equity bonds for various international development banks and some other special accounts.

[25]Margo Grimm, "Foreign Aid Boosted in Japan's FY 1992 Budget," JEI Report no. 1B (January 10, 1992), 10.

countries. The pace of the increase in the amount is impressive. However, the objective of the increase, initiated by doubling plans and other development assures, did not originally derive from Japan's concerns for developing countries. Rather, it was specifically aimed at easing Western democratic nations' dissatisfactions with Japan over persistent trade imbalances; and, more importantly, to prevent the markets from closing for Japan's exports. The fact that Japan's doubling plans have always been announced at G-7 summits implies who the real audience is. Japanese ODA in the scheme of burden-sharing has become a very strong reason for its pursuit of a neomercantilist strategy to attain its national interests.

CHAPTER II

JAPANESE OFFICIAL DEVELOPMENT ASSISTANCE: AN OVERVIEW

Japanese ODA has four types of assistance: 1) Capital grants; 2) Technical assistance; 3) Bilateral loans; 4) Aid through multilateral agencies. Among the four types, loans have always accounted for the majority of the total. Loans attract Japanese commercial interests because of the large amount of money involved. Also loans are usually spent on capital intensive infrastructure projects, which pave the way for Japanese direct foreign investments. It can be said that through loans, the Japanese have pursued their national interests to attain national security. However, the other three types of assistance have received greater emphasis recently. This is largely due to the mounting criticism and pressure for Japan to separate aid from the narrow pursuit of national interests. Even as it adapts its aid practices to meet others' demands, however, Japan satisfies its national interest through the burden-sharing scheme discussed in the previous chapter. The emphasis on Asia shows Japanese priorities and concentration of interests in the region.

Grant Aid

Grant aid provides funds without imposing repayment obligations on recipient countries. Japanese grant aid is targeted to social infrastructure investments which are not allowable under the financing regulations of the OECF, the Export-Import Bank of Japan, and Japan International Cooperation Agency (JICA). Grant aid provides financial resources for the procurement of equipment, facilities, materials, and services necessary for economic and social development programs, such as housing, education, medical care, research, food and food production.[26] Recently, environment was added as a new agenda for grants and has been paid particular attention in Japanese aid policy.[27]

Traditionally, the proportion of grant aid in Japan's ODA portfolio has been low. However, the relative share of grants has been expanded in recent years in accordance with the government's changing emphasis, due to pressure from other donors to improve aid quality. Table 1 shows an increasing trend of grant aid not only in amount but also in share of total ODA.

The Ministry of Foreign Affairs (MFA) takes a position that grant aid should be given to the poorest countries, but this does not coincide with actual practice. By 1977, LLDCs

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[26]Alan Rix, Japan's Economic Aid: Policy-Making And Politics (New York: St. Martin's Press, 1980), 119.

[27]Japan, MFA Japan's ODA Annual Report 1988, 65.

received only 23% of grant aid. This trend seems to continue even today. Table 2 shows the continuous trend of allocation of grants to non-LLDCs.

Although Asia received more than half of Japanese grant aid in the past and the amount continues to increase, the Asian share in recent years has been declining, to 46.5% in 1990. The traditionally large share of the Asian allocation reveals Japan's strong security interests in Asia, but the share for Africa (sub-Saharan African countries) has increased because of the government's new emphasis on aid to the region. This is a result of the urgent humanitarian needs in the region. The Fourth Medium-Term Target stated an emphasis on LLDCs as one of the pillars, and the emphasis on grants to LLDCs, especially to Africa, which has an historically strong linkage to Europe, can be seen as a sign of "burden sharing." Japanese security interests do not relate directly to the African LLDCs, so the implication is that Japan is easing the Western nations' share of the African burden.

Technical Assistance

"Technical cooperation is an activity which teaches and transfers technologies, skills, and knowledge which are important for the development of human resources, and thus contribute to the development of developing countries."[28]

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[28]Japan's ODA 1988, op. cit., 75.

The aim of Japanese technical assistance is to teach Japanese technology and know-how to people in recipient countries so that they will be able to play a central role in their own development. The Japanese also believe that the personal level of interchange will benefit relations between Japan and the recipients.

As with the case of grants, technical assistance has been emphasized in Japanese ODA lately for the same reason--pressure from other donors. The Fourth Medium-Term Target states:

> Technical Assistance will be positively expanded in the area of human resource development including various measures for overseas students, for receiving trainees in Japan, and for the dispatch of experts, as well as in non-material cooperation including measures for the upgrading of the technical level of developing countries.[29]

Although, historically, Japan did not pour funds into technical assistance, the trend is changing. The share of technical assistance in total ODA is still comparatively small, but the actual allocation is surely on the rise. The strategy for allocation of grants also applies to technical assistance. Its geographical concentration in Asia suggests the importance of the region to Japanese economic survival.

The recipients of technical assistance are those countries which do not qualify for financial assistance[30]

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[29]Japan's ODA 1988, op. cit., 76.

[30]They are the developing countries with fairly high income, accumulated debt, and oil producing countries.

as well as LLDCs, such as Bangladesh, Nepal and Tanzania, which cannot be given a large scale of financial aid because they lack human resources and technical devices to utilize large amount of money effectively.[31] This indicates that regions such as Latin America, where heavily indebted middle-income countries[32] are common, should receive large amounts of technical assistance for their share in total ODA. Latin America received 8.3% of total Japanese ODA and 17.7% of total technical assistance in 1989. Table 5 shows that a relatively high amount of technical assistance flows to Latin America every year. However, since the share of technical assistance in total ODA is smaller than loans (20% in 1989), the amount is very small. The top technical assistance recipient is no match for the top loan recipient.

Bilateral ODA Loans

In 1990, 42.5% of total Japanese ODA was in the form of loans. Historically, the share of loans in Japanese foreign aid has been high.[33] Bilateral loans, because of the large amount of funds exchanged, have a strong influence in Japan's overall bilateral relations with recipients. Alan

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[31]Japan's ODA Annual Report 1988, 75.

[32]Middle-income countries in 1987 were countries with GNP per capita more than $700.

[33]In 1985 and 1986, more than half of total Japanese bilateral ODA was in the form of loans while the United States and Canada allocated about 10%, France and Italy about 20%, and Germany about 30% of total ODA for loans.

Rix argues:

> Yen loans were the core of Japanese foreign aid policy and dominated official thinking about aid since Japan first became a donor. Loans gave the most pressing impetus to official aid, for through them Japan was tied politically and commercially to the world's developing nations - as, in debt, were they to Japan.[34]

The bilateral government loans are given to recipient countries through OECF to provide large amounts of funds at low interest rates and over long repayment periods. Loans stimulate capital intensive projects because they enable developing countries to undertake large projects, like construction of infrastructure and production facilities, which otherwise they cannot afford. In order to repay loans with interest, the project must generate high return. This is another reason why large capital projects are favored.

The amount of loans through OECF is increasing every year. It increased from 1,903 billion yen ($8.6 billion) in 1981 to 5,950 billion yen ($41 billion) in 1990.[35] The increase in loans not only attracts Japanese commercial interests and enables Japanese business to participate in projects but also serves Japanese security interests. Improvement of infrastructure is a prerequisite for Japanese direct investment and more investment creates stronger

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[34]Rix, Japan's Economic Aid, 38.

[35]DAC's exchange rates are used for both years. They will be applied rest of the paper.

linkages with developing countries.[36]

As Table 6 illustrates, the share of loans to Asia is very high. This is much higher than the share of grants and technical assistance. One reason is that many Asian countries, especially those which belong to the Association of Southeast Asian Nations (ASEAN), have been more successful in economic development than other developing countries. The requests for ODA loans from these countries for large-scale projects are well suited to the characteristics and purposes of loans.[37] A second reason is that the Japanese want to take advantage of the long-term aid relationship in the region, begun with reparation payments. However, the most important reason is that Japan has national interest priorities in ASEAN.[38]

Multilateral ODA

The Japanese contributed multilateral ODA funds to international organizations for the purpose of economic development in developing countries. Multilateral organizations can be divided into two groups: international financial institutions, which lend funds for development purposes, and United Nations agencies, which are engaged

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[36]"Yuchishogaiyoin wa Yahari Infra Seibi (Investment Obstacle is Infrastructure Improvement)," Kokusai Kaihatsu Journal, no. 418 (December 1991), 28-31.

[37]Japan's ODA 1990, op. cit., 81.

[38]As illustrated later in this thesis, Japan has strong security interests for its economic survival in ASEAN.

mainly in activities relating to technical cooperation.[39] Japan has allocated funds to both types of organization since the first international development contribution of $80,000 to the United Nations Expanded Program of Technical Assistance in 1952.[40] The share of multilateral assistance in total ODA has varied from one year to the next in the 1980s, but it has still increased compared with the previous decade. The increase is influenced by criticisms of Japan's aid practices. These criticisms are best muted by channelling aid through multilateral agencies.

There are some advantages to channelling aid to developing countries through multilateral organizations. First, Japan can obtain important access to the specialized knowledge and experience of various organizations. Second, multilateral aid can protect Japan's political neutrality. Third, Japan can gain precious access to global aid networks.[41] Since Japan has concentrated its aid in Asia in the past and is not familiar with other regions, the multilateral aid is a very useful way to distribute Japanese funds to less familiar regions effectively. The increasing share of multilateral assistance in total ODA explains the

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[39]Ibid., 88.

[40]J. Alexander Caldwell, "The Evolution of Japanese Economic Cooperation, 1950-1970," in Pacific Basin Development: The American Interests, ed. Harald B. Malmgren (Lexington, Mass.: Lexington Books), 35.

[41]Japan's ODA 1990, op. cit., 89.

Japanese government's attitude toward regions outside of Asia where "burden sharing" may be the prominent factor.

Each of the four types of Japanese foreign aid satisfies Japan's national interests. Loans are usually spent for large capital intensive projects such as infrastructure construction and many Japanese private businesses profit through participating in such projects. By improving infrastructure, the recipient countries attract Japanese direct investments. These provide Japan with some share of the recipients' economies, and serve to secure Japanese security interests.

The share of grants, technical assistance, and multilateral aid in total ODA has been small compared with loans. However, the Japanese government seeks improvement in these categories because of increasing criticism of Japanese self-serving aid practices. By responding to criticism, Japan eases some of the pressures from other donors, many of which are important markets for Japan's exports. Each of the four styles of Japanese aid helps Japan pursue its economic interests and protect national security.

CHAPTER III

CHARACTERISTICS OF JAPANESE OFFICIAL DEVELOPMENT ASSISTANCE

Japanese foreign aid has four distinct features which emphasize Japanese interests over those of the recipients. They are: 1) Japanese aid is highly commercialized; 2) Most of Japanese aid goes to Asia; 3) Japan provides more loans than grants and technical assistance; 4) The quality of Japanese aid is poor compared with aid from other donors. These characteristics may be problems and inconveniences for the recipients but they support Japan's pursuit of national security interests. This chapter will examine each of these characteristics in detail to clarify exactly how they work to the Japanese advantage.

Commercialized Aid

The first characteristic, commercialized aid, is described as "large loans and grants to poor countries with procurement of Japanese equipment and technology, an approach that not only enriches Japanese firms in the short run, but also provides them with a strong marketing edge once an aid program is finished."[42] This statement brings

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[42]Steve Coll, "Japan's Hands-On Foreign Aid: As U.S. Slashes Assistance, Tokyo Develops Markets for 21st Century," The Washington Post (13, January, 1991), sec. H1.

up Japan's "request basis" principle. In theory, Japan provides aid only when it receives a request from a potential recipient country. Project identification and recommendation are regarded as the recipient's responsibility. However, the identification of projects is carried out by Japanese nationals working for private consulting firms, trading companies, construction companies, and manufacturers.

Developing countries usually do not possess the necessary means and skills to conduct the research for project identification and to frame applications to win the Japanese government's approval. This inadequacy on the recipients' part allows Japanese private companies to identify projects, state their interests, and request projects through official diplomatic channel. It is up to the companies whether or not to propose highly priced materials which are only available in Japan. The firms which are involved in the initial stage of a project usually win the contract. Therefore, the private contractors not only conduct the identification but are also involved in the rest of the project--feasibility study, implementation, and monitoring at the project field.[43] As a result, the Japanese private firms profit greatly from these official

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[43]International Development Study Group, "Shortcomings of the Foreign Aid Program," Economic Eye (Spring 1989), 18-19 and Bruce Koppel and Michael Plummer, "Japan's Ascendancy as A Foreign-Aid Power," Asian Survey vol. XXIX, no. 11, (November 1989), 1054.

aid projects. This practice is an example of tied aid.[44]

Table 11 shows the share of tied aid of Development Assistance Committee (DAC) countries. Although the figures for Japan do not suggest that a large proportion of Japanese aid is tied, the actual practice reveals that it is.

> Companies in other countries have a hard time participating in the business generated by Japan's grants and loans even when aid is untied. We should not be surprised, accordingly, that foreigners still criticize Japan's aid as a government tool for export promotion.[45]

The big private sector has always played a large role in Japanese aid activities. Japan stepped into the field of economic assistance without a firmly established aid organization to oversee aid activities. When the reparation agreements were reached with the recipients, a reparation division was established in the Asian Affairs Bureau of the MFA. However, actual transactions regarding purchasing goods and hiring technical services were left to each recipient country. It was activity between Japanese business and the recipient governments rather than MFA's reparation bureau and recipient governments.[46] Even without strong leadership from the MFA, Japan was successful

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[44]Tying aid means limiting to the contributing countries and donor countries the procurement of goods and services for bilateral ODA and contributions to international organizations.

[45]Koichi Mera, "Problems in the Aid Program," Japan Echo vol. XVI, no. 1, 1989, 14.

[46]Caldwell, op. cit., 33-34.

in reflecting the national interests--establishing markets for Japanese goods--on procurement.

Concentration of Aid in Asia

The geographical distribution of Japanese aid greatly favors Asia. For example in 1971, as much as 99.3% of Japanese ODA went to Asian countries.[47] There are three reasons which explain this concentration. The first is that Japanese aid began as war reparations to those countries in Asia. Besides reparation payments, some of the recipients were to receive additional assistance from Japan which totaled $716 million.[48] Japan also promised South Korea $500 million for reparations and $300 million for loans in 1965 with normalization of relations.[49] Even after the payments ended, it was in Japan's security interest to continue assisting countries where official and private ties as well as markets for its exports had been already established through reparations.

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[47]Japan, MITI, Keizai Kyoryoku no Genjo to Mondaiten (The Present State and Problems of Economic Cooperation) 1972, 103.

[48]Myanmar (former Burma) was to receive $50 million for joint enterprise investments over 10 years; the Philippines $250 million commercial loans over 20 years; Indonesia $400 million commercial loans and investments over 20 years; and South Vietnam $7.5 million in government loans and $9.1 million in commercial loans. Chaiwat Khamchoo, Japan's Southeast Asian Policy in the Post-Vietnam Era (1975-1985), (Ph.D. diss., University of Washington 1986), 61.

[49]Shigeru Oda, "The Normalization of Relations Between Japan and the Republic of Korea," American Journal of International Law (January 1967), 155-156 quoted in Caldwell, op. cit., 32.

The second reason for the geographical concentration of Japanese aid is that Japan is a large importer of raw materials and food from countries of this region. Besides heavy dependence on imported oil, Japan imports 100% of its aluminum, nickel, wool and cotton, 98% of its iron ore and tin, 94% of its copper and 66% of its lumber.[50] When Japan lost the war in 1945, she also lost an important source of raw materials--Northeast Asia. During postwar period, Japan desperately needed a replacement for Northeast Asia in order to catch up with the West by rebuilding its economy. Japan found it in Southeast Asia. Japan's share of exports from Southeast Asia rose greatly in the 1960s and the 1970s. During a decade from 1972 to 1982, ASEAN's exports to Japan increased almost ten times.[51] Japan imports at least 95% of its tin, natural rubber and tropical timber from Southeast Asia. The region also provides more than a third of Japanese copper ore and bauxite imports.[52]

The third reason is the important of geographical location of Asia, particularly Southeast Asia.

> ASEAN straddles two sea lanes that are essential to Japan's economic survival. One is the "petroleum road," which originates in the Middle East and weaves its way through the Straits of Malacca. The other is the "iron

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[50]IMF White Paper 1980, quoted in John McDonnell, "Japan as an importer: Its impact on Asian developing countries," in Japan's Impact on the World eds. Alan Rix and Ross Mouer (Nathan, Q. Australia: Japanese Studies Association of Australia, 1984), 189.

[51]McDonnell, op. cit., 189.

[52]Ibid., 192-193.

> ore road," which starts in western Australia and proceeds northward to Japan.[53]

Besides actually exporting natural resources to Japan, Asia's geographical location is crucial to maintain the steady flow of raw materials to Japan from other parts of the world, which is the lifeline of its economic survival.

Too Many Loans VS Too Few Grants and Technical Assistance

The third characteristic of Japanese aid which can be seen to serve Japanese interests is the historical trend that more money is spent on loans, while less is spent on grants and technical assistance. The Japanese government stresses "self-help" policies to explain the trend. It derives from

> Japan's own experience as a Third World country, in which Japan sought to stand on its own feet economically in a world of bigger powers. From that standpoint, there is a decided belief in Japan that the goal of aid is to produce economic self-reliance in developing countries.[54]

It is because of this "self-help" belief that Japan emphasizes loans and encourages the recipients to manage the economy with fiscal constraints of obligation to repay. The "self-help" policy reflects on another policy, "graduation"

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[53]Susumu Yamakage, "Japan and ASEAN: Are They Really Becoming Closer?" in Walter Pfennig and mark M.B. Suh, eds., Aspects of ASEAN (Munich, Cologne, London: Weltforum Verlag, 1984), 311, quoted in Robert M. Orr, Jr., "The Rising Sun: Japan's Foreign Aid to ASEAN, the Pacific Basin and the Republic of Korea," Journal of International Affairs vol. 41, no. 1 (Summer/Fall 1987), 47.

[54]Pharr, op. cit.

policy. Japan takes the recipient's GNP per capita into consideration before deciding what form of assistance is appropriate and changes the mixture from grants to concessional and non-concessional loans.[55] Japan also changes interest rates and term on loans depending on recipient's economic situation.

Japanese national interests are not met by grants and technical assistance as much as by loans. Technical assistance is not commercially attractive because it usually costs less than one-hundredth of a capital project. Compared with loans, grants do not provide a strong long-term economic linkage with recipients because projects funded by grants are usually short-term and not large scale. Grants and technical assistance do not accommodate Japanese immediate national security interests other than in improving the social infrastructure which keeps ordinary people from rebelling against the regime.

Poor Aid Quality

The fourth feature of Japanese ODA is the poor aid quality in comparison with other DAC countries. In order to quantify aid quality, the grant share and the grant element are often used.[56] As Tables 5, 6, and 7 indicate, Japan's

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[55]Robert M. Orr, Jr., "Collaboration or Conflict? Foreign Aid and U.S.-Japan Relations," Pacific Affairs (Winter 1989/90), 479.

[56]A grant share is the percentage of capital assistance that do not require repayment. A grant element indicates "degree of concessionality of assistance" or "softness." For example, the

grant shares and grant elements have been very low compared with other donors. The Japanese government claims that the promotion of self-help efforts and growing needs for Japan's type of aid, situated between export credit and grant assistance, are the reasons for Japan's poor performance in these two categories.[57] However, seen from a different angle, these figures suggest that Japan's tendency is to link official aid to commercial interests and national interests.

These four characteristics of Japanese ODA are exactly the points criticized by others. They serve Japanese national interests and support Japanese national security. By tying aid, Japan cultivates markets for its exports and provides business community with chances to benefit from large projects. In the long term, improvement of infrastructure, on which loans focus, will bring in Japanese businesses to developing countries. Poor aid quality (small grant share, grant element, and technical assistance and tied aid), combined with large amount of loans, supports pursuit commercial interests by the Japanese businesses. The concentration of aid in Asia shows that Japan's long-term national interests lie in the region as a source of

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grant element of a loan on a commercial basis (10% interest rate) is 0%. As the terms (interest rate, repayment and grace period) are more alleviated, the figure of the grant element is higher, reaching 100% in the case of a grant. Japan's ODA 1990, op. cit., 7.

[57]Japan's ODA 1988, op. cit., 26.

natural resources and markets for exports. The characteristics of Japanese ODA clearly show that Japan has used its ODA program for the pursuit of its national interests and the execution of its neomercantilist strategy.

CHAPTER IV

EVOLUTION OF JAPANESE FOREIGN AID POLICY

Japan's foreign aid policy has gone through four phases since the first war reparations were paid to Southeast Asia in the 1950s. Each phase is marked by some symbolic events and characteristics which shifted the focus of Japanese foreign aid: reparations payments in the first phase; the oil crisis in the early 1970s in the second phase; the Soviet invasion of Afghanistan and the Vietnamese invasion of Cambodia in the third phase; and rapid rise in value of yen in the fourth phase. This chapter will illustrate each phase in more detail and examine Japanese security interests in each phase.

Phase One: 1956 - 1974

Having lost a source of raw materials and markets during WWII, Japan sought to normalize relations with resource-rich Southeast Asia and acquire access to the natural resources and develop new markets there. Both the Kishi and Ikeda Administrations saw Asia as a potential contributor to Japan's own postwar economic recovery and growth. The objectives of Japanese aid during the first phase were to expand export markets for Japan's rapidly

developing manufacturing sector and to stabilize the socio-economic and political systems of recipient countries which, in the end, contributed to Japan's own national security.

The aim of promoting Japanese exports was officially stated by the MFA.

> Japan depends on the markets of less-developed countries for close to 45 percent of her exports and imports. Her trade with Southeast Asia and other newly developing areas amounts to approximately 10 percent of her gross national product. It is natural, therefore, that Japan, which must trade to live, has a vital interest in the steady economic development of Southeast Asia and other less-developed regions and the expansion thereby of their external purchasing powers. For example, Japan's new ten-year plan to double the country's national income by the end of the plan period (1961-1970) envisages a 10 percent annual increase over the base year in the total volume of her exports with an average of 13 percent annual increase in the exports of heavy industrial products. Such rates of increase of her exports can hardly be achieved without a steady rise in the capacity of less-developed countries to import.[58]

The Japanese did not connect aid and political objectives in this phase. Japanese foreign assistance was purely economic and flowed only to noncommunist East and Southeast Asia. The second part of the objective, maintenance of stable socio-economic and political system in developing countries, derived from Japan's fear of the widening gap between rich and poor in developing countries, which was becoming apparent. The Japanese government foresaw a future threat to Japanese national security, which depended on the

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[58]Japan, MFA, Some Features of Japan's Development Assistance (Tokyo: 1961), 1, quoted in Sukehiro Hasegawa, Japanese Foreign Aid: Policy and Practice (New York: Praeger Publishers, 1975), 17-18.

stability of its export markets in the neighboring countries. Japan took various measures, including reparation payments, to avoid such threat from developing countries.[59]

Phase Two: 1974 - 1979

The second phase is described as globalization and diplomatic use of Japanese foreign aid. The two major changes in aid objectives came as a result of anti-Japanese riots during Prime Minister Tanaka's tour to Southeast Asia in 1974 and the oil shock in the winter of 1973/74. Tanaka's trip called for closer attention to Asia with improved aid terms and conditions. Aid became an important tool of Japanese foreign policy. The oil crisis not only broadened the range of Japan's aid distribution to the Middle East, Africa, and countries along energy shipping routes but also established a strong linkage between Japanese foreign aid and resource availability in the recipient countries.[60]

Prior to this phase, Japanese mineral and oil companies engaged only in refining and sales while Western companies were active in the whole operation: exploration,

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[59]Other measures include: providing loans; expanding overseas investments; cooperating in the Colombo Plan; and contributing to the United Nations Expanded Program of Technical Assistance, the United Nations Special Fund, Asian Productivity Organization, and the World Bank.

[60]Dennis T. Yasutomo, "Why Aid? Japan as an 'Aid Great Power'," Pacific Affairs (Winter 1989/90), 492-493.

development, and production. Japanese companies had been mainly interested in supplying raw materials and energy sources as cheaply as possible to Japan. After the oil crisis of 1973-74, the Japanese government began to encourage private companies to start exploration and development projects by using bilateral aid. The producing countries ensured Japanese access to resource projects and supplies in exchange for economic aid in the form of yen credits and technical assistance. Japanese aid was also extended to infrastructure construction to complement large-scale investments and projects launched by Japanese private companies under a policy of MITI.[61]

Phase Three: 1979 - 1985

The third phase, described as multi-dimensional or multi-purpose, emerged in the late 1970s in response to continuous criticism of Japanese tied aid and mounting "burden-sharing" pressure from the Western countries, especially from the United States. Political and strategic considerations were incorporated into the original framework of Japanese aid policy which focused solely on economy. This is the period when Japan began to have a severe trade imbalance problem with the United States. Japan considered it important to help the United States in the area of

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[61]Shoko Tanaka, Post-War Japanese Resource Policies And Strategies: The Case of Southeast Asia (Ithaca, NY.: Cornell China-Japan Program, 1986), 114-116.

foreign aid by easing its share, taking the pressure off from the bilateral trade problem.

The so-called "strategic aid" began in 1978 in the midst of Soviet invasion of Afghanistan, the Vietnamese invasion of Cambodia, the Iranian hostage crisis, the Camp David accords between Egypt and Israel, and the Sino-Japanese Treaty of Peace and Friendship.[62] Under the "strategic aid," the Ohira Administration (December 1978 - June 1980) increased ODA to nations which were important to Japan and Western allies politically and strategically. For example, Thailand, Pakistan, Turkey, Egypt, and Jamaica saw a great increase in flow of assistance from Japan.[63] Vietnam was cut off from Japanese aid after invading Cambodia, and China became a recipient of Japanese economic assistance for the first time.[64] Regarding strategic interests, one member of the Liberal Democratic Party was cited as saying that:

> "Aid must be considered from the standpoint of national interest and not just humanitarian aspects. There should be more thoughts given to aid along strategic lines. At this point in time, Japanese military efforts are restricted, but aid is possible. To some extent, aid can be seen as a substitute for defense efforts, but Japan must view them [aid and military policy]

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[62]The "strategic aid" is defined as an assistance to "countries bordering areas of conflict."

[63]See Table 18.

[64]Dennis T. Yasutomo, Manner of Giving: Strategic Aid and Japanese Foreign Policy (Lexington, Mass.: Lexington Books, 1986), 42.

equally."[65]

The importance of the U.S.-Japan relationship and its influence on creating the scheme of the "strategic aid" must not be forgotten.[66] President Carter influenced the shift of Japanese aid policy in the late 1970s. For example, between 1977 and 1979, the pace of increase in grants were faster than increase in total ODA. The total ODA increased 189 percent while grants increased 257 percent.[67]

During this phase, economic assistance matured as a foreign policy tool to promote social and economic resilience; and prevent internal disorder and disputes and external intervention. This was very important since Japanese economy depended on the targeted countries as sources of raw materials and markets. Also, as pressure for "burden-sharing" increased in the 1980s, foreign aid began to be used as a strong diplomatic tool against Western nations. The strategic aid symbolizes a new Japanese approach to foreign policy based on economic relations, Japanese globalization of diplomacy, and national security consciousness.[68]

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[65]quoted in ibid., 25.

[66]Orr, "Collaboration or Conflict?" op. cit., 746-747.

[67]Calculated by author based on DAC reports.

[68]Yasutomo, op. cit., 119-120.

Phase Four: 1985 - Present

The fourth phase began in 1985, and has continued to the present. It is characterized by integration of aid policy into overall Japanese foreign policy. Foreign aid has become a solid diplomatic tool against not only the developing countries but also other donors in this world of interdependence. The high value of the yen rapidly increased the amount of Japanese aid in dollar terms. As a result, Japanese foreign aid has gained a strong presence and power in the international community.

According to the ODA Annual Report 1988, 1987 was "Japan's year" which saw a spectacular growth in amount of ODA. Japan's ODA rose 32.3% over the previous year in dollar term, reaching $7.454 billion. In 1989, Japan became the world's largest donor with ODA allocation of $8.965 billion. The number of countries for which Japan is the largest donor increased from 19 in 1985 to 30 in 1989. These facts indicate Japan's stronger presence in developing countries.

The two medium-term targets which emerged in this phase were more comprehensive compared with the two previous ones. They aimed at increasing not only the total amount but also efficiency and effectiveness of Japanese aid.[69] They stressed an increase in ODA/GNP ratio, technical assistance, and aid staff; an expansion of debt relief measures for

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[69]Japan, MFA, Outlook of Japan's Economic Cooperation, 15.

LLDCs; and qualitative improvement of yen-denominated loans. Japanese government realizes that in order for Japan to survive in the world, it has to maintain good relations with both developing and developed countries through the tool of foreign aid.

As illustrated here, Japan has been concerned about its national interests and national security in every phase of aid policy. The target of aid in the first and second phases was aimed at developing countries for purely economic interests. However, the latter two phases saw a political use of aid against other Western nations for national interest and national security purposes. Japanese ODA has been a tool to protect national security by securing raw materials in developing countries and by maintaining export markets in other Western countries.

CHAPTER V

JAPANESE FOREIGN AID TO SOUTHEAST ASIA

To illustrate the evolution of Japan's ODA program through the four phases described above, three brief case studies will be presented here. Southeast Asia has been the main destination of Japanese foreign aid. The three countries of ASEAN examined in this chapter--Indonesia, the Philippines, and Thailand--have always been major recipients of Japanese aid. As a matter of fact, Japan was the top donor to all three countries in 1989. ASEAN, which accounted for over 30% of total Japanese disbursement in 1990, provides much needed resources and markets to Japan. The large amount of aid poured in ASEAN shows that Japan's security interests lie in the region. It is in Japan's interest to maintain good relations with Southeast Asian countries for its national security.

Indonesia

The year 1958 marked three important accomplishments in Japan-Indonesia relations: the establishment of diplomatic relation; the settlement of war reparation negotiations which began in 1951; and the conclusion of the Economic Cooperation Agreement. The reparation payment, which

totaled $223.3 million, was provided through purchase of Japanese goods and services. The economic cooperation agreement stated that Japan would provide $400 million over a period of twenty years.

ODA to Natural Resource Development

The Japanese government had committed itself to support investment projects to develop major natural resources in Indonesia, namely petroleum, nickel, and lumber. There are two well known projects in Indonesia supported by both the Japanese government and private Japanese companies: the North Sumatra Oil Project and the Asahan Aluminum Project. The Sumatra Project exemplifies a shift in Japanese aid policy from merely buying already available resources to securing the resource through participating in development efforts. The Asahan Project illustrates export of resource processing to a producing country and infrastructure construction accompanies with it.

The North Sumatra oil fields were owned by Royal Dutch and Shell before the Indonesian government took them over in 1957.[70] In 1958 the Indonesian government agreed to receive Japanese capital and technology to rehabilitate north Sumatra's oil fields in exchange for the oil supply to Japan. The Japanese government provided yen credits to

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[70]Masashi Nishihara, The Japanese and Sukarno's Indonesia: Tokyo-Jakarta Relations, 1951-1966 (Honolulu: The University Press of Hawaii, 1976), 117-118.

purchase equipment, facilities and services from Japan in a ten-year period. This was going to be repaid with oil export to Japan for ten years. The North Sumatra Oil Development Cooperation Company was established in 1960 with 37.5% of the necessary capital provided by OECF. By the time the operation ended in 1973, seven more similar projects were under operation in the area. All of them were engaged in the same form of production-sharing.[71]

In 1972, the Japanese government agreed to offer further assistance, 62 billion yen ($20 million) in credit, to Indonesia for an oil exploration project. Later a 56 billion yen ($18 million) credit was approved by the Japanese government for liquid natural gas (LNG) development projects. The Japanese government provided the necessary capital for petroleum projects in Indonesia through credits and loans.[72] It promoted the Japanese private investments in the oil industry with support in capital and security. Japan's policy to diversify oil supply sources after the oil crisis in the early 1970s further encouraged Japanese involvement in Indonesian oil and LNG industries.

Throughout the 1960s and early 1970s, Japanese companies' desire to smelt overseas, due to its energy-intensive operation, coincided with the Indonesian government's policy to promote domestic smelting. The

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[71]Tanaka, op. cit., 84-90.

[72]Ibid.

Japanese government then designed the Asahan Aluminum project, the largest Japanese project overseas with 400 billion yen ($1.5 billion by 1973 exchange rate) in Indonesia, which included construction of two hydroelectric powerplants and an aluminum refinery. It was a form of joint venture in which the Japanese government provided one-half of the total Japanese investments through OECF. In 1978 and 1979, Japan extended yen credits through OECF as a project assistance.[73] As illustrated by the two projects, Japanese aid in Indonesia developed around natural resource industries and much of the fund had been spent directly to promote the industry until the 1980s.

Loans for Debt Payments

The fall in oil prices in the early 1980s decreased the Indonesia's foreign exchange revenue and brought severe budget and balance-of-payment problems. This also affected the country's ability to implement Japanese foreign aid projects. Tokyo has increased program assistance in ODA lending to reduce pressure on Indonesia for project implementation.[74] At a meeting with President Suharto in January 1987, the MITI Minister Tamura pledged broader assistance to boost Indonesia's export-oriented

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[73]Ibid., 95-96.

[74]Orr, "Rising Sun," op. cit., 52.

industries.[75] Meanwhile the second fall in oil prices in 1986, while the value of yen doubled, further hit the Indonesian economy. The country's public and private debt amounted $45.7 billion, one third of it owed to the Japanese, mostly to the government, in yen. Indonesia requested to pay back its official debt at 1986 exchange rate. However, instead of accepting Indonesia's request and approving payment at the 1986 exchange rate, Japan responded with almost doubling its ODA from $1.23 to $2.3 billion.[76] Japan also provided $100 million in grants and lowered the interest rates on the Indonesian loans from 3% to 2.7%.[77]

In 1989 Indonesia was still suffering from the drop in oil revenue, and also from unemployment caused by recession. Repayments on foreign debt were taking 40% of government revenue. Prime Minister Takeshita visited Indonesia with an aid package of $2 billion in soft loans and $110 million in grants and technical assistance.[78]

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[75]"MITI Minister Tamura Pledges Increased Aid to Indonesia," Asahi Evening News, 13 January 1987.

[76]"Japan Balks at Indonesian Debt Plan," Asahi Evening News, 8 June 1988.

[77]In order to enforce "self-help" efforts with repayment obligation, Japan often provides grants to indebted countries after they make the payment to help them balance their government budget. The amount of grants are usually the same as the amount repaid by the recipients. Mr. Shiro Sadoshima, First Secretary, Embassy of Japan, interview by author, tape recording, Washington, D.C., 10 March 1992.

[78] "Indonesia and Japan: Donors' kebab," Economist May 13 1989, 77.

Attracting Direct Investments

The high value of the yen encouraged Japanese manufacturers to move their facilities to Southeast Asia, first to Singapore, then to Thailand and Malaysia, and finally to Indonesia where the labor cost is 95% lower than in Japan.[79] It must also be mentioned that improvement in infrastructure funded by Japanese loans met one of the criteria for direct investments. This trend began to show some positive effects in Indonesian non-oil and gas exports. The economic growth rate of non-oil and gas industries was 5.7% in 1988 and 7.4% in 1989. Their value in exports increased by $2 billion during the same period.[80] The mushrooming loans, pledged technical assistance, and lowering interest rates, accompanied by private investments in manufacture, may be helping Indonesia shift its focus away from oil and LNG industries.

A Case of Japanese ODA Project

The case illustrated here is called "The Borobudul Prambanan National Historic Park Construction Project" in central Java.[81] The Borobudul was a Buddhist temple which

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[79]Ford S. Worthy, "Japan's Spreading Regional Power," Fortune vol. 122, (Fall 1990), 96.

[80]Japan, MFA, Diplomatic Bluebook 1990: Japan's Diplomatic Activities, 148.

[81]The information on this project is summarized in "Insensitivity or Menace?: The Borobudul National Historic Park," AMPO Japan-Asia Quarterly Review vol. 21, no. 4, 33-36.

was constructed in late 8th century or early 9th century and buried underground until its discovery in the 19th century. The Pranbanan (Loro Jonggrang) Temple is a beautiful example of Hindu architecture, 40 km east of Borobudul. The project was aimed to attract more tourists into the area by constructing a major historic area surrounding the ruins.

The project took off in 1980 with a 440 million yen($1.9 million) loan from Japan followed by a 2.8 billion yen($11 million) loan in 1982. The project required 350 households on 85 hectares of the construction site to leave their houses and land. Many of the local residents were engaged in sap-gathering and sugar-processing, and others operated souvenir shops. The residents had to leave the project site either with compensation much lower than market price or with other lands. Having completed the project, the number of tourists increased. They go to an expensive restaurant for tourists in the park which is a branch of Ambarukmo Hotel in the suburbs of Jogjakarta. The hotel was built with Japanese reparation payments, is run by Japan Air Lines, and has become a popular hotel among Japanese tourists. The people who used to live there are now construction workers and vendors living in much worse houses than before.

This is an example of commercialized aid. Japanese business benefitted from the large construction. However, the recipients' ordinary people's interests were totally

ignored.

The Philippines

The Japanese reparation payments to the Philippines began in 1956 and totaled $550 million over twenty years. Much of infrastructure and public facilities had been destroyed by bombing during the Pacific War. As a result, a large portion of the reparations was spent on public works, transport and communications, education, and health facilities between 1959 and 1969.[82]

During the reparation period, Japan's share in total ODA to the Philippines was significantly lower than that of the U.S. However by the end of the 1970s, the positions were reversed. Loans through the OECF began in 1971 and since then, the rapid increase in loans put Japan as the number one donor to the Philippines. By 1986, Japan's loan commitment to the Philippines stood at 515 billion yen, or approximately $2.3 billion.[83] Since Corazon Aquino became the president, the Japanese government has been pledging loans to ease her country's debt crisis in order to stabilize the economy.

Aid Under "Burden-Sharing"

The Philippines is one of the most controversial

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[82]Filologo Pante, Jr. and Romeo A. Reyes, "Japanese and U.S. Aid to the Philippines: A Recipient-Country Perspective," in Yen for Development, 122.

[83]Pante and Reyes, op. cit., 125.

recipients of Japanese ODA. It brought up two criticisms among the Japanese. The first criticism was that Japan was providing aid to the Philippines to support American strategic objectives.[84] Especially after the Vietnam War and emergence of communist nations in Indochina, the presence of American military bases in the Philippines increased the importance of the country. Even since the reparations ended in 1976, the Philippines have been a major recipient of Japanese aid. This coincided with the emergence of "strategic aid" and "burden-sharing" in Japanese aid policy. This trend was confirmed when the Japanese government joined with the U.S. to support the mini-Marshall Plan for the Philippines in July 1989.[85]

The second criticism was that Japanese aid to the Philippines (in the period 1972 to 1986) was merely filling the coffers of the Marcos family. This relates to the first criticism on the point that Japan was serving U.S. interest. The U.S. sought to maintain good relations with the Philippines and also desired to see a stable government for its bases. Japan continued the aid flow even though it knew of aid-related kickbacks to Marcos.[86] This criticism

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[84]Orr, "Rising Sun," op. cit., 53.

[85]Yanagihara and Emig, op. cit., 62.

[86]President Marcos was believed to have received rebates of Japanese foreign aid. The amount sometimes totaled as much as 15% of an aid project. In order to cover the corruption, Prime Minister Nakasone suggested that Philippine Vice President Salvatore Laurel regard the issue as a domestic matter. Yuji

increased after the assassination of Benigno Aquino in August 1983.[87]

Two Cases of Japanese ODA Project

Two cases of Japanese ODA in the Philippines show the commercialism of Japanese aid and the strong influence of Marcos family on aid projects. The first project is called "The Outpatient Department of the Philippine General Hospital"[88] which first appeared as a $6.70 million plan submitted by the director of the department at the hospital. The aim was to improve equipment and extend consultation hours in order to accept 2,000 patients a day; to function as a supplement of the Metro Manila medical facilities; and to initiate research to extend progressive medical care throughout the country. In August 1985, the budget was increased to $10 million, to be funded by grants-in-aid. Because the Philippine government changed hands in February of 1986, the project was forgotten for a year until the Japanese government re-acknowledged it. At this time the budget was increased to $20 million.

After fifteen-months of construction work by a Japanese construction firm, the inauguration ceremony took place on

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Suzuki, "Rethinking Japanese Foreign Aid," Japan Times 30 June 1986, 8.

[87]Orr, "Rising Sun," op. cit., 53.

[88]The information on this case is summarized in "A Showcase of Japanese High Technology: Outpatient Department of the Philippine General Hospital," AMPO, op. cit., 24-25.

April 5, 1989. The three-story modern building has four divisions: consultation, diagnosis, management, and the common section equipped with a $600,000 CT Scan unit, a $200,000 X-ray diagnostic apparatus, and other computerized office facilities. The completion of construction was not the end of a project and problems still remained for the Filipinos. The high technology equipment is dependent on Japan for repair parts, and consumption goods must be imported from Japan. The Japanese construction firm benefitted from the project and so did the supplier of equipment. Grant aid, even though the government says "untied", can be tied in this way.

The second case, "The Expansion of the National Maritime Polytechnic Project,"[89] hoped to increase the number of eligible crew to work on foreign ships.In 1983, 12.4% of Filipino crews worked on foreign ships. They were obliged to send 80% of their earnings back home by the Philippine government. This was an important source of foreign exchange to the Philippines. In order for a crewman to work on foreign ships, he must receive training required by international treaty and be certified. There were two national training facilities; the Philippine National Merchant University in Manila and the newly founded National

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[89]The information on this project is summarized in "Nakasone sori no temiyagewa sanjyunanaokuen (Prime Minister Nakasone's souvenir is 3.7 billion yen," Musekinin enjotaikoku Nippon (Irresponsible Great ODA Donor, Japan) (Tokyo, Japan: JICC Publisher, 1989), 47-52.

Maritime Polytechnic. Both facilities had requested assistance for the expansion to the Japanese government. Japan considered the university as the prime project until Imelda Marcos made a special request eighteen days before Prime Minister Nakasone's visit to the Philippines. The Japanese government changed its mind and decided to aid the polytechnic expansion. After the meeting between President Marcos and Prime Minister Nakasone on May 7, 1983, the project progressed step by step and the first official contract was signed in June 1984.

By March 1986 a first rate, even by international standards, modern training facility was constructed with a total of 37 million yen.[90] The original plan was to train 760 students per year, but there were only 22 students enrolled in the first semester and only one of them finished the fifteen week course. Even with some adjustment made in courses to attract more students, the facility has not been used even to 5% of its goal. The school itself cannot collect the necessary fees (tuition), so the money must come from taxpayers' pockets because the maintenance cost is paid by the recipient country. The main reason for the under-utilization is said to be the location of the school. It is located in a small regional city of Tacloban in Leyte, 25 hours from Manila and with no major commercial port.

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[90]$155,110 by 1985 exchange rate and $219,558 by 1986 exchange rate.

However, it is the province of the Romualdez family, whose best known member is Imelda Marcos.

Thailand

Unlike Indonesia and the Philippines, Thailand has maintained trade relations with Japan since the end of World War II. Japan was Thailand's biggest export market in 1983.[91] Since then Thailand has been a major recipient of Japanese aid. In 1988 Japan provided 70.2% ($360.62 million) of total bilateral ODA received by Thailand.[92] However, the Thai people see a different picture. For them the United States is the largest donor and over two thirds of them think the beneficiary of Japanese aid is "Japan itself."[93] The main reason for this negative image of Japanese ODA is that 80% of the fund is in the form of yen loans, which accumulated to over 690 billion yen ($5.4 billion by 1988 exchange rate) by 1988. A large portion of the loans are spent on infrastructure and large-scale projects such as roads and dam construction, communication systems, and harbor expansion.

Trinity of Assistance, Investment, and Import

Japan regards Thailand as the industrial base of the

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[91]T. H. Silcock, "Outline of Economic Development 1945-1965," in Thailand: Social and Economic Studies in Development ed. T. H. Silcock (Canberra: Australian National University Press, 1967), 17.

[92]Japan, Ministry of Foreign Affairs, Japan's ODA '90, 78.

[93]"Building Roads for Japanese Investment," AMPO, op. cit., 38.

ASEAN economy. MITI Minister Tamura announced the "New Asian Industries Development (New AID Plan) in January 1987 during his visit to Bangkok. This model calls for the trinity of assistance, direct investment, and import as a cooperation package to promote synthetic development of each recipient. Cooperation with Thailand has already been carried out.[94] There are massive Japanese private investment flows into Thailand. The rapid increase in yen value has created a strong trend to move production to developing countries. The 1989 Japanese investment in Thailand was $1.2 billion which was more than the total of previous 35 years combined.[95]

There are several reasons for the popularity of Thailand as an investment target. Thailand offers; 1) a cheap labor force with good quality; 2) political stability; and 3) investment promotion measures.[96] The Japanese Ambassador, Okazaki, said "Thailand, like Japan, is Buddhist. And a monarchy. And a civilized country with a government that respects contracts and leaves business alone."[97]

Further, Narongachai Akrasanne, director of the

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[94]Japan, MITI Keizai Kyoryoku no Genjo to Mondaiten, 1987 (Reality and Problems of Economic Cooperation), 166-168.

[95]Arthur Zich, Japan's Sun Rises Over the Pacific" National Geographic vol. 180 no. 5 (November 1991), 55.

[96]Japan, MITI Keizai Kyoryoku no Genjo to Mondaiten 1987, 66.

[97]Zich, op. cit., 56.

Thailand Development Research Institute Foundation, stated:

> We're easy to get along with. For 700 years we've been an inland trade route, a land bridge between north and south. We are mixed, like the Americans. Our identity is cultural not ethnic: We're Thai, Indian, Malay, Chinese-name it. There is no racial discrimination here. The Thai people rarely have strong feelings about anything.[98]

Japanese ODA is said to be making a foundation by improving infrastructure for Japanese business opportunities.

Thailand is a major exporter of tin to Japan. Since tin is not considered a significant industry, massive "develop and import" policies, like those seen in the Indonesian petroleum industry, did not exist in Thailand.[99] Instead, a rapid increase in aid flow to Thailand was the result of "strategic aid." The Vietnamese invasion of Cambodia in 1978 caused a massive influx of Indochinese refugees into Thailand. The burden on what was already the poorest region in Thailand could not be borne by the Thai government alone. The increase in aid since the invasion was so rapid that Thailand became the second largest recipient of Japanese ODA after China in 1983.[100]

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[98]Ibid.

[99]Tanaka, op. cit., 108.

[100]Chart in William L. Brooks and Robert M. Orr, Jr. "Japan's Foreign Economic Assistance," Asian Survey, vol. XXV, no. 3 (March 1985), 330.

A Case of Japanese ODA Project

The Thai Cultural Center[101] was one of the projects undertaken to commemorate one hundred years of friendly relationship between Japan and Thailand. It was constructed with 640 million yen ($4.4 billion by 1987 exchange rate) grants-in-aid from Japan and opened in October 1987. The Center has a large auditorium with 2,000 seating capacity and a smaller one with 500 seating capacity. There is an Education Hall with exhibition rooms, a series of audio-visual rooms, a library, conference rooms, etc. Both the center's exterior and the interior are magnificent. The sound and lighting system of the large auditorium is high tech and its seats can be moved with a signal button. There is equipment for the simultaneous interpretation of up to four languages.

Cultural activities and recreation are the main purpose of the center and these are not free. In order to use the large auditorium for three hours, for example, one must pay 36,000 baht, which few can afford, for air-conditioning and sound and lighting system, etc. Also, due to the high rental charge, the admission cost is two to three times more than the cost for seeing a movie at an ordinary movie theater.

From the beginning, everything was done by the

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[101]The information on this project is summarized in "Thailand Cultural Center: Better to Call it Japanese?," AMPO, op. cit., 40-42.

Japanese; including the designing of the building, the procurement of materials, and the construction. The Thais received only a low amount of wages for construction labor. The under-utilized facilities cost the Thai government 20.79 million baht, 18.5 million baht, and 17.98 million baht, respectively, for the three years between 1987-89. In a recent period, they were used eleven days out of two months. The equipment and spare parts will have to be bought from Japan in the future, which adds more cost to the Thai government. Again, profit for Japanese contractors and burden for the recipient came out of so called "grant aid."

As illustrated above, Japanese national interests have always influenced its aid policy in Southeast Asia. Since the region was the first recipient of Japan's first ODA--reparation--, it has the longest history of accommodating Japan's national interests. The region provides raw materials which Japan needs for its domestic industries, markets for Japan's exports, and direct investment opportunities. By tying aid, Japanese business gained long-term access through the development assistance projects. These are exactly the points criticized by others, but have worked to the Japanese advantage since the beginning of ODA history.

CHAPTER VI

CONCLUSION

Japan has developed through trade. Since military means to meet its goals were taken away after the World War II, Japan's survival as a nation, has had to depend on an economic means, specifically its ability to import raw materials and export finished products. Japan's national security interests--obtain secure access to natural resources and markets for its exports--stem from its inability to survive on its own. The Japanese were well aware of this fact. This is why Japan used the neomercantilist policy to pull itself out of a lost war and achieve economic prosperity. Japan did so by successfully pursuing its security interests through the use of foreign aid.

Japanese foreign aid first began as war reparations to Southeast Asia through which Japan promoted exports of finished products from its growing heavy industry. The reparations were provided as procurement of Japanese goods and services. Southeast Asia was also able to provide Japan with its much needed natural resources. The heavy concentration in the region during this period well served Japan's national interests.

After the oil shock in 1973/74, Japan's focus on the national security through neomercantilist strategy shifted towards securing natural resources. It insured access to resources by expanding geographical distribution to the Middle East and Africa and participating in resource development projects with financial and technical support through official aid. Japan also began to allocate foreign aid to countries which are located along its energy shipping routes in order to maintain the flow of resources. The North Sumatra Project in Indonesia is a typical case of a "develop and import" scheme which emerged during the second phase. Loans provided to finance big development projects greatly profited the Japanese contractors and also a established long-term relationship through tied aid.

In the late 1970s, the world saw aggressive military invasions by communist regimes. This influenced Japanese foreign aid policy towards being political and facilitated the use of foreign aid as a diplomatic tool. By providing assistance to countries, where conflicts exist in neighboring countries, under the scheme of "strategic aid," Japan protected its access to resources by developing countries and protecting export markets there.

Japanese "strategic aid" to countries with Western strategic interests was also used as a diplomatic tool to ease the mounting pressure of "burden sharing." Europe and the United States were increasingly dissatisfied with trade

imbalances with Japan. Therefore, it was very important for Japan to take some share of the burden in order to keep good relations with its allies and leave Western markets open for Japanese exports. The aid to the Philippines is a good example of aid by "burden-sharing." Since the Philippines was not a significant source of raw materials and export markets for Japan, the U.S. role in influencing Japanese decisions to maintain the large flow of aid to the country cannot be ignored.

The last phase, which still continues today, has seen important changes in the world as well as in Japanese aid policy. The rapid increase of yen value has led to satisfaction with the quantity of Japanese aid and, as a result, has shifted the focus to quantitative improvement emphasis. The end of the Cold War has also led Japan to shift aid from providing large aid to strategically important countries to the important markets, Western democracies, and improving aid quality. Furthermore, the continuous criticism from other donors about concentration of aid in Asia and commercialized aid, illustrated in projects such as "The Borobudul Prambanan National Historic Park," "The Philippine General Hospital," and "The Thai Cultural Center," has played a role in improving the aid quality and geographical allocation. As a result of these factors, the Third and Fourth Medium-Term Targets emphasize improvement in quality and allocation to the LLDCs as the

main pillars. The pressure for "burden sharing" has further increased in accordance with the high value of the yen and the severe trade imbalances with the West, especially with the United States.

In the post-war period, Japan has always had a fear of not having enough resources for its industries and a lack of markets to sell its exports to. Whether it was reminded repeatedly or not, it is clear that Japan always had this in mind. Japanese foreign aid has served as a means to pursue the national security in order to eliminate this fear. It has become a common practice of Japanese foreign aid not only to secure the flow of natural resources from developing countries but also to assure open export markets in developed countries by shouldering some of the Western countries' share of burden. After almost four decades Japanese foreign aid has firmly established a position in Japanese overall foreign policy as a diplomatic tool to pursue national security in this world of interdependence.

APPENDIX I: TABLES

Table 1
Japan's Grant Assistance
(Million Dollars, %)

Year	1970	1973	1976	1979	1982	1985	1987	1989
Amount	121	220	273	948	1,416	1,744	2,011	2,028
Share in Total ODA	38.6	39.9	48.2	50.0	39.6	47.5	47.3	n.a.
Share in Bilateral ODA	32.6	28.8	24.6	30.9	34.0	46.3	n.a.	44.8

Source: DAC Reports, Outlook of Japan's Economic Cooperation, and Japan's ODA 1988 and 1990.

Table 2
Distribution of General Grant Aid to LLDCs
(%)

Year	1981	1983	1984	1985	1986	1987	1988	1989
LLDC	30.4	22.2	26.7	30.8	32.2	39.3	33.0	35.8
MSAC	32.8	50.8	32.9	31.8	26.7	23.7	25.9	23.5
Others	36.8	27.0	39.4	37.4	41.1	37.0	41.1	40.7

Source: Japan's ODA 1987 and 1990.
Note: Grant aid for debt relief is included.
MSAC: Most seriously affected countries by the oil crises.

Table 3

Major Recipient Countries of Grant Assistance
(percentage of total ODA)

	1981		1983		1985	
Rank	Country	Share	Country	Share	Country	Share
1	Thailand	9.60	Thailand	9.01	Bangladesh	8.48
2	Bangladesh	8.50	Bangladesh	7.45	Thailand	7.18
3	Pakistan	6.42	Burma	6.62	Burma	5.96
4	Burma	5.49	Pakistan	5.97	Pakistan	5.19
5	Indonesia	5.00	Philippines	5.48	Sri Lanka	5.15
6	Sri Lanka	4.94	Indonesia	5.28	Philippines	4.69
7	Nepal	4.87	Sri Lanka	5.14	Indonesia	4.66
8	Philippines	4.69	P.R. China	5.13	Sudan	3.69
9	Egypt	3.24	Nepal	3.81	Nepal	3.56
10	Sudan	2.82	Sudan	3.73	P.R. China	3.38

	1988		1989		1990	
Rank	Country	Share	Country	Share	Country	Share
1	Bangladesh	7.07	Bangladesh	7.90	Bangladesh	9.60
2	Philippines	6.61	Philippines	7.06	Philippines	6.63
3	Pakistan	5.42	Pakistan	4.76	Thailand	5.53
4	Thailand	4.65	Thailand	4.43	Sri Lanka	5.41
5	Sri Lanka	4.42	Sri Lanka	4.22	Indonesia	4.25
6	P.R. China	3.97	Indonesia	4.06	Pakistan	4.08
7	Indonesia	3.56	Zambia	3.71	Senegal	3.65
8	Zaire	3.00	Kenya	3.13	Kenya	3.61
9	Sudan	2.98	Tanzania	3.02	Egypt	3.30
10	Nepal	2.76	Sudan	2.87	P.R. China	2.75

Source: Japan's ODA Annual Report 1987, 1988, 1990, and Outlook of Japan's Economic Cooperation

Table 4

Geographical Distribution of Bilateral Grant Assistance
(Million Dollars)

	1986	1987	1988	1989	1990
Asia	481.79	654.37	683.92	762.40	639.16
Northeast Asia	25.68	54.53	52.35	58.53	38.61
Southeast Asia	241.88	278.01	260.69	330.98	273.00
Southwest Asia	214.22	321.83	370.88	372.89	327.55
Middle East	82.55	107.90	127.10	97.53	113.24
Africa	211.90	272.98	525.96	518.59	423.23
Latin America	45.06	79.24	96.30	119.20	117.17
Oecania	45.06	36.09	46.06	54.20	61.40
Europe	-	0.34	-	1.08	-
Unallocable	1.05	3.13	3.85	3.05	19.85
Total	854.55	1,154.06	1,483.19	1,556.06	1,374.05

Source: Japan's ODA Annual Report 1987, 1988, 1989, and Outlook of Japan's Eocnomic Cooperation

Table 5

Bilateral Technical Cooperation
(Million Dollars)

Year	1965	1969	1973	1976	1981	1985	1989	1990
Amount	6.01	18.96	57.24	108.1	338	422	1,556	1,374

Source: DAC Reports

Table 6

Geographical Distribution of Bilateral Techincal Assistance
(Million Dollars)

	1986	1987	1988	1989	1990
Asia	367.73	451.10	601.74	613.29	707.39
Northeast Asia	97.28	129.28	177.40	189.63	275.51
Southeast Asia	222.28	257.52	342.58	343.63	351.24
Southwest Asia	44.53	61.69	78.13	76.75	76.30
Unspecified	3.54	2.61	3.64	3.28	4.32
Middle East	43.40	52.03	72.55	83.22	96.06
Africa	69.35	89.74	110.41	113.46	124.89
Latin America	129.19	152.77	185.62	181.27	199.10
Oceania	16.39	20.05	28.98	30.07	32.00
Europe	2.90	2.67	4.28	5.03	11.85
Unallocable	219.80	298.69	420.90	454.86	474.06
Total	848.66	1,067.04	1,424.49	1,481.20	1,645.35

Source: Japan's ODA Annual Report 1987, 1988, 1989, and Outlook of Japan's Economic Cooperation

Table 7

Sectoral Distribution of ODA Loans
(Million Dollars, percentage of total ODA)

	1987		1988		1989	
	Amount	Share	Amount	Share	Amount	Share
Social Infrastructure and Services	276	5.3	801	9.1	355	7.2
Economic Infrastructure and Services	3,324	64.7	4,480	51.1	2,131	42.5
Production Sectors	422	8.3	1,215	13.8	563	11.5
Multisector			49	0.5	52	1.1
Progam Assistance	1,048	20.4	1,981	22.6	1,620	32.1
Debt Reorganization	67	1.3	247	2.8	156	3.1
Unallocated			14	0.1	14	2.5
Total	5,137	100.0	8,786	100.0	4,890	100.0

Source: Japan's ODA Annual Report 1988, 1989, and 1990

Table 8

Geographical Distribution of Japan's ODA Loans
(100 million yen, %)

	1982		1984		1986	
	Amount	Share	Amount	Share	Amount	Share
Asia	3,643	65.5	5,084	88.5	2,868	74.8
ASEAN & Burma	1,948	35.0	2,930	51.1	2,630	35.8
Middle East	783	14.1	266	4.6	589	12.3
Africa	483	8.7	84	1.5	399	1.3
Latin America	655	11.8	307	5.3	305	10.9
Oceania & Others	0	0	8	0.1	103	0.8
Total	5,563	100	7,323	100	7,323	100

	1987		1988		1989	
	Amount	Share	Amount	Share	Amount	Share
Asia	6,280	67.3	9,255	83.0	7,087	70.1
ASEAN & Burma	3,233	21.7	4,821	43.1	4,358	43.1
Middle East	389	13.8	545	4.9	794	7.9
Africa	290	9.3	972	8.7	805	8.0
Latin America	72	7.2	264	2.4	1,206	2.1
Oceania & Others	6	2.4	120	1.1	214	2.1
Total	7,037	100	11,156	100	10,105	100

Source: Japan's ODA Annual Report 1987 and 1990

Table 9

Share of Multilateral Assistance of Major DAC Countries
(percentage of total ODA)

	Japan	U.S.	France	West Germany	U.K.	DAC Average
1976	31.9	34.5	14.0	24.6	30.4	30.4
1978	30.9	38.7	13.1	35.5	42.1	34.0
1980	40.7	38.8	16.8	34.9	28.4	33.6
1982	21.7	40.7	17.9	28.1	46.8	33.6
1983	35.5	31.2	17.6	33.9	46.7	32.5
1984	43.8	25.9	16.3	32.9	45.2	31.5
1985	32.7	13.0	18.4	32.7	43.8	25.5
1986	31.7	20.5	18.5	31.0	41.8	28.5
1987	29.6	21.7	18.4	29.6	46.1	27.5
1988	29.7	33.3	18.4	33.0	45.9	31.1
1989	24.4	11.1	17.7	35.8	43.4	26.7

Source: DAC Reports
Note: Figures include contributions to EEC.

Table 10

Share of Multilateral Assistance in Japan's Total ODA
(percentage of total ODA)

Year	1970	1976	1980	1984	1985	1986	1987	1988	1989
Share	18.9	31.9	40.7	43.8	32.7	31.7	29.6	29.7	24.4

Source: DAC Reports

Table 11

Share of Tied Bilateral Aid of DAC Countries
(percentage of total ODA)

	1986	1987	1988	1989
Australia	38.7	44.0	43.7	89.6
Austria	68.8	74.3	98.1	83.6
Belgium	52.9	49.4	n.a.	n.a.
Canada	35.1	35.1	n.a.	52.2
Denmark	28.9	30.0	26.3	n.a.
Finland	38.2	55.8	73.5	79.2
France	46.6	40.9	45.4	48.5
West Germany	36.3	42.9	45.2	n.a.
Ireland	n.a.	33.8	n.a.	n.a.
Italy	65.4	71.7	87.7	90.9
Japan	13.4	11.3	12.8	18.0
Netherlands	15.8	14.0	14.1	13.7
New Zealand	34.5	34.2	40.2	n.a.
Norway	15.2	24.2	42.4	28.7
Sweden	15.3	24.6	31.1	(29.1)
Switzerland	23.9	35.9	20.5	n.a.
United Kingdom	64.5	61.8	82.6	76.0
U.S.A.	38.9	18.0	54.2	45.4

Source: DAC Reports
Note: ( ) is provisional figure.
: Figures for 1987 are tying status of all ODA.
: Figures for 1989 are commitment basis.

Table 12

Share of Geographical Distribution of Bilateral ODA
(percentage of total ODA)

	1975	1980	1982	1985	1988	1990
Asia	75.0	70.5	68.6	67.7	62.8	59.3
Northeast Asia	8.9	4.2	15.8	15.3	11.3	12.0
Southeast Asia	50.1	44.0	33.5	37.6	34.2	34.3
(ASEAN)	(44.7)	(35.9)	(28.9)	(31.3)	(29.9)	(33.1)
Southwest Asia	15.6	22.2	19.0	14.7	17.3	12.9
Unspecified	3.9	0.3	0.3	0.1	0.1	0.0
Middle East	10.6	10.4	8.2	7.9	9.1	10.2
Africa	6.9	11.4	11.3	9.9	13.8	11.4
Latin America	5.6	6.0	7.8	8.8	6.2	8.1
Oceania	0.6	0.6	1.0	0.9	1.4	1.6
Europe	0.0	-	0.1	0.0	0.1	2.3
Unallocable	1.3	1.2	3.3	4.8	6.6	7.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Japan's ODA Annual Report 1989 and Outlook of Japan's Economic Cooperation

Table 13

The Major Recipients of Japanese Bilateral ODA
(percentage of total ODA)

	1970		1975		1980	
Rank	Country	Share	Country	Share	Country	Share
1	Indonesia	33.87	Indonesia	23.27	Indonesia	17.43
2	Korea	23.35	Korea	10.28	Bangladesh	10.70
3	Pakisatan	10.65	Philippines	8.27	Thailand	9.43
4	India	8.81	Malaysia	7.44	Burma	7.59
5	Philippines	5.18	Egypt	5.90	Egypt	6.12
6	Thailand	4.55	Bangladesh	5.53	Pakistan	5.59
7	Iran	3.22	India	5.48	Philippines	4.70
8	Burma	3.21	Thailand	4.85	Korea	3.80
9	China	2.57	Iraq	3.50	Malaysia	3.27
10	Singapore	1.55	Nigeria	3.21	Sri Lanka	2.23

	1985		1988		1990	
Rank	Country	Share	Country	Share	Country	Share
1	China	15.17	Indonesia	15.34	Indonesia	12.50
2	Thailand	10.33	China	10.49	China	10.42
3	Philippines	9.39	Philippines	8.33	Philippines	9.33
4	Indonesia	6.31	Thailand	5.62	Thailand	6.03
5	Burma	6.02	Bangladesh	5.32	Bangladesh	5.38
6	Malaysia	4.91	Pakistan	4.71	Malaysia	5.37
7	Bangladesh	4.75	Mynmar	4.04	Turkey	4.67
8	Pakistan	3.65	Sri Lanka	3.11	Pakistan	2.79
9	Sri Lanka	3.27	India	2.79	Sri Lanka	2.54
10	Egypt	2.86	Egypt	2.69	Poland	2.16

Source: DAC Reports and Outlook of Japan's Economic Cooperation

Table 14

Reparations and Reparation-related Grants
To Southeast Asian Nations
(Million Dollars)

	Reparations		Economic Development Grants	
Country	Period	Amount	Period	Amount
Burma	1955-65	2.0	1965-77	140.0
Cambodian	-	-	1959-62	4.0
Indonesia	1958-70	223.3	-	-
Laos	-	-	1959-61	2.8
Malaysia	-	-	1968-70	8.2
Philippines	1956-75	550.0	-	-
Singapore	-	-	1968-70	8.2
Thailand	-	-	1962-69	26.7
South Vietnam	1960-64	39.0	-	-
Total		1012.3		189.9
Grand Total				1202.2

Source: Chaiwat Khamchoo, Japan's Southeast Asian Policy in the Post-Vietnam Era (1975-1985) (Ph. D. diss., University of Washington 1986), 61.

Table 15
Japan's Grant Share of total ODA and Grant Element
(%)

Year	1970	1972	1976	1978	1980	1982	1984	1985
Grant Share	38.6	32.6	48.2	48.1	40.0	39.6	46.1	47.5
Grant Element	67.2	61.1	74.9	75.0	74.3	74.0	73.7	73.6

Source: Japan's ODA Annual Report 1987 and 1988.

Table 16
Grant Share
(percentage of total ODA)

Country	Rank	1986	Rank	1987/88	Rank	1988/89
Australia	1	100.0	1	100.0	1	100.0
New Zealand	1	100.0	1	100.0	1	100.0
Ireland	1	100.0	1	100.0	1	100.0
United Kingdom	1	100.0	8	97.8	8	98.1
Norway	5	99.2	6	99.4	6	99.7
Sweden	6	98.7	1	100.0	1	100.0
Canada	7	98.6	9	97.4	9	97.8
Switzerland	8	96.4	5	99.5	1	100.0
Finland	9	94.7	10	91.9	10	94.4
Netherlands	10	93.7	13	86.4	12	87.6
U.S.A.	11	91.1	11	91.2	11	92.6
Italy	12	90.2	15	76.9	14	76.9
Belgium	13	87.1	12	90.6	13	(87.0)
France	14	(78.1)	14	78.2	15	(73.1)
Denmark	15	77.1	7	88.1	7	98.7
West Germany	16	75.6	16	69.0	16	(68.5)
Austria	17	65.1	17	64.6	17	(48.8)
Japan	18	60.7	18	46.6	18	43.2

Source: DAC Report
Note: Excluding Debt Relief
: ( ) are provisional figures.

Table 17

Grant Element
(percentage of total ODA)

Country	Rank	1986	Rank	1987/88	Rank	1988/89
Australia	1	100.0	1	100.0	1	100.0
New Zealand	1	100.0	1	100.0	1	100.0
Ireland	1	100.0	1	100.0	1	100.0
U.K.	1	100.0	9	99.0	9	99.1
Canada	5	99.9	6	99.6	6	99.7
Sweden	6	99.8	1	100.0	1	(100.0)
Norway	7	99.4	6	99.6	6	(99.7)
Switzerland	8	99.2	5	99.9	1	(100.0)
Finland	9	98.4	10	97.7	10	98.2
Belgium	10	97.8	13	94.0	12	(96.7)
Netherlands	11	97.6	12	94.1	13	94.2
Denmark	12	97.4	8	99.5	6	99.7
U.S.A.	13	96.8	11	96.9	11	97.5
Italy	14	96.0	14	92.0	14	(92.8)
West Germany	15	89.1	16	86.1	16	(86.4)
France	16	86.1	1	89.3	15	(89.7)
Japan	17	81.7	18	75.4	17	77.6
Austria	18	79.6	17	76.2	18	(68.1)

Source: DAC Reports
Note: Excluding Debt Relief
: ( ) are provisional figures.

Table 18

Total Japanese ODA
(Million Dollars)

	1977	1978	1979	1980	1981	1982	1983
Egypt	67.3	118.8	132.7	123.5	72.7	72.4	60.0
Jamaica	0.3	0.1	1.0	2.4	6.5	3.4	6.2
Pakistan	50.6	73.4	184.3	132.8	126.6	107.6	92.6
Thailand	59.4	127.2	188.8	275.8	236.6	194.8	354.2
Turkey	7.1	10.8	23.8	33.4	137.0	67.7	93.8

Source: OECD Reports

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